

Message Text

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SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596

1. PROPOSED NARRATIVE STATEMENT ON CLIMATE FOR
FOREIGN INVESTMENT IN TUNISIA. BEGIN TEXT:
THE CLIMATE FOR FOREIGN INVESTMENT IN TUNISIA REMAINS
EXCELLENT. ALTHOUGH A RELATIVELY SMALL COUNTRY, WITH A
POPULATION OF ONLY 5.5 MILLION, TUNISIA'S DOMESTIC
MARKET IS EXPANDING AND A MAJOR EFFORT IS BEING MADE TO
INCREASE PRODUCTION FOR EXPORT. GROWTH IN REAL TERMS
HAS AVERAGED OVER 9 PER CENT DURING THE PAST THREE YEARS
AND THIS TREND IS LIKELY TO CONTINUE.

IN ADDITION TO SIGNIFICANT FOREIGN
RESOURCES, THERE IS AN ABUNDANCE OF LOCAL FINANCING ON
FAVORABLE TERMS. INFLATIONARY FORCES HAVE BEEN
RELATIVELY WELL CONTAINED.

THE TUNISIAN GOVERNMENT IS ACTIVELY SEEKING FOREIGN
INVESTMENT. IN 1972 THE INVESTMENT PROMOTION AGENCY
WAS CREATED TO EXPEDITE GOVERNMENT APPROVAL AND
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ASSISTANCE OF NEW INDUSTRIAL INVESTMENTS. THE

GOVERNMENT OFFERS CONSIDERABLE INCENTIVES FOR NEW INVESTMENT SUCH AS LAND ON FAVORABLE TERMS, TAX BENEFITS AND STABILITY, FAVORABLE DEPRECIATION RATES, "INFANT INDUSTRY" PROTECTION AND ADDITIONAL INDUCEMENTS ON THE BASIS OF JOBS CREATED AND EXPORT POTENTIAL. THE INVESTMENT LAW OF APRIL 1972 OFFERS EVEN MORE ATTRACTIVE INCENTIVES, INCLUDING EXONERATION FROM ALL TAXES AND IMPORT DUTIES FOR TEN YEARS, TO INDUSTRIES WHICH LOCATE IN TUNISIA TO PRODUCE 100 PER CENT FOR EXPORT. A CONTINUING UNEMPLOYMENT PROBLEM LEADS THE GOVERNMENT TO ATTACH GREAT IMPORTANCE TO FOREIGN INVESTMENT IN LABOR-INTENSIVE INDUSTRIES AS WELL AS TO INDUSTRIES PROCESSING TUNISIAN RAW MATERIALS INTO HIGHER-VALUE EXPORTS.

INVESTORS IN EXPORT INDUSTRIES BENEFIT FROM THE LOW COST OF PRODUCTIVE TUNISIAN LABOR, THE PROXIMITY TO EUROPEAN MARKETS, AND THE ADVANTAGES OFFERED BY TUNISIA'S ASSOCIATION AGREEMENTS WITH THE EUROPEAN COMMON MARKET. THE TUNISIAN GOVERNMENT IS WILLING TO TRAIN WORKERS NEEDED BY POTENTIAL INVESTORS AND IS DEVOTING OVER 30 PER CENT OF ITS ANNUAL BUDGET TO GENERAL AND TECHNICAL EDUCATION. TUNISIAN LABOR IS UNIONIZED BUT CONFLICTS WITH THE ONE LABOR FEDERATION ARE RARE.

EXPORT INDUSTRIES, FINANCED LARGELY BY FOREIGN INVESTMENT, ACCOUNT FOR 30 PER CENT OF THE \$410 MILLION OF NEW MANUFACTURING INVESTMENT APPROVED IN 1974. THE TEXTILE AND GARMENT INDUSTRIES REPRESENT ONLY 13 PER CENT OF APPROVED EXPORT PROJECTS, REPRESENTING INCREASED EMPHASIS BY TUNISIAN AGENCIES IN ATTRACTING ELECTRONIC, MECHANICAL, CHEMICAL, FOOD-PROCESSING AND OTHER NON-TEXTILE INDUSTRIES. U.S. PRIVATE INVESTMENT IN MANUFACTURING IS SMALL BUT IS INCREASING RAPIDLY IN THE PETROLEUM SECTOR. THE POLITICAL CLIMATE IN TUNISIA HAS BEEN STABLE SINCE INDEPENDENCE IN 1956 AND A STRONG, MODERATE LEADERSHIP IN DOMESTIC AND FOREIGN AFFAIRS HAS BEEN PROVIDED BY PRESIDENT HABIB BOURGUIBA. UNDER THE PRESENT PRIME MINISTER, THE OUTLOOK FOR THE FUTURE IS FOR CONTINUED STABILITY, MODERATION AND ECONOMIC PRAGMATISM. UNCLASSIFIED

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THE U.S. AND TUNISIA CONCLUDED AN AGREEMENT IN 1959 REGARDING EXTENSION OF INVESTMENT INSURANCE BY THE U.S. OVERSEAS PRIVATE INVESTMENT CORPORATION AND PROVIDING FOR ARBITRATION OF DISPUTES. IN ADDITION, TUNISIA IS A SIGNATORY OF THE WORLD BANK CONVENTION FOR THE SETTLEMENT OF INVESTMENT DISPUTES. END TEXT.

2. EMBASSY ESTIMATES OF BOOK VALUE OF U.S. DIRECT INVESTMENT

IN TUNISIA: TOTAL \$27 MILLION, PETROLEUM (EXCLUDING LOCAL DISTRIBUTING FACILITIES) \$13 MILLION, MANUFACTURING \$7.5 MILLION, TOURISM \$3 MILLION, BANKING AND MARKETING \$3.5 MILLION.

3. STATISTICS ON CUMULATIVE FOREIGN INVESTMENT ARE NOT AVAILABLE. GOT ESTIMATE OF TOTAL REALIZED FOREIGN INVESTMENT IN 1974 WAS \$65 MILLION, OF WHICH \$57.5 WENT TO THE PETROLEUM SECTOR (PRIMARILY FRENCH, ITALIAN AND U.S. INVESTMENTS). INVESTMENT PROJECTS IN MANUFACTURING APPROVED IN 1974 INCLUDE A TOTAL PROPOSED FOREIGN INPUT OF \$82.5 MILLION, LED BY WEST GERMANY WITH \$69 MILLION, FOLLOWED BY THE NETHERLANDS.

4. TUNISIAN FOREIGN EXCHANGE REGULATIONS, AS WELL AS CENTRAL BANK FINANCIAL PRACTICES, DO NOT GENERALLY PERMIT PRIVATE INVESTMENT OUTSIDE OF TUNISIA. ANY INVESTMENT BY TUNISIAN NATIONALS IN U.S. ON EXTRA LEGAL OR EXCEPTIONAL BASIS, WOULD BE NEGLIGIBLE.

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